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RUEHNO/USMISSION USNATO 1287  
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RHFMIUU/AFSOUTH NAPLES IT  
RHMFISS/CDR TF FALCON  
RHEFDIA/DIA WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUEPGEA/CDR650THMIGP SHAPE BE  
RHEHNSC/NSC WASHDC  
RUEAWJA/DEPT OF JUSTICE WASHDC  
RHMFIUU/DEPT OF HOMELAND SECURITY WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
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UNCLAS SECTION 01 OF 02 PRISTINA 000541

SIPDIS  
SENSITIVE

DEPT FOR EUR/SCE, EUR/PGI, INL, DRL, PRM, USAID

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [PGOV](#) [KV](#) [SR](#)

SUBJECT: KOSOVO: SERBIA ATTEMPTS TO HIJACK ELECTRICAL SERVICE AREA  
IN THE NORTH

REF: A) PRISTINA 522 AND PREVIOUS  
B) BELGRADE 1314

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SENSITIVE BUT UNCLASSIFIED Q PLEASE PROTECT ACCORDINGLY

¶1. (SBU) SUMMARY: A dispute between Serbia and Kosovo over control of the Valac substation and electricity distribution in the northern part of Kosovo has escalated, with Serbian state-owned firms unilaterally declaring new "service territories" covering Kosovo's northern municipalities. This reassignment of power lines is illegal under UNSCR 1244, as well as both a usurpation of property and an implicit expropriation of the Ujmani hydro-electric plant located in the north of Kosovo. Serbia's electricity transport utility has also assigned an unlicensed entity as the "authorized" power distributor in these new service areas. Claims by Serbian state-owned firms that their actions were taken to avert a humanitarian crisis ring false, as the Serbian side is yet to respond to six weeks of requests by the Kosovo Energy Corporation (KEK) to reconnect the North to additional power supply from Obilic. Serbian entities also continue to ignore a proposed commercial resolution to the dispute tabled six months ago. Regular monthly meter reading by KEK at Valac could serve as a test case to reassert KEK's access to its property, but Western powers should also demarche Belgrade at the highest levels to underscore that usurpation of property and partition are antithetical to Serbia's aspirations for European and Euro-Atlantic integration, and will be met with a determined response by the international community. END SUMMARY

SERBIA DECLARES NEW SERVICE TERRITORY BOUNDARIES  
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¶2. (SBU) On December 4, 2009, the Serbian state-owned electric power transport company Elektromreza Srbije (EMS) sent a fax to Kosovo's power transport firm KOSTT that effectively annexed the northern part of Kosovo as its service territory. Though couched in technical language, the letter essentially told Kosovo's power distributor Kosovo Energy Corporation (KEK) and the Kosovo Electricity Transmission System and Market Operator (KOSTT) that there are new boundaries for electricity. According to the letter,

henceforth, lines connecting the south of Kosovo to Valac substation in Zvecan are "external links" connecting Kosovo to Serbian service territory, while a 110 kV line connecting Novi Pazar, Serbia with Valac is internal to EMS's system. By extension, power lines within Kosovo that are the exclusive property of KOSTT, have been declared property of EMS. Additionally, while not explicitly mentioned, the rearrangement of lines and the reassignment of service areas implicitly require the expropriation of the Ujmani hydro-electric plant, located in Zubin Potok.

#### POWER DISTRIBUTION VIA A DISPUTED, UNLICENSED ENTITY

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13. (SBU) In addition, EMS's December 4 letter also assigns "P.E. Elektrokosmet Pristina" as the authorized power distributor for the northern part of Kosovo. (Note: We forwarded a copy of the letter to EUR/SCE and Embassy Belgrade on December 7. End Note) Elektrokosmet does not hold a license for power distribution from Kosovo's Energy Regulatory Office, a body established by UNMIK regulation, and so such a designation is a violation of the law. Moreover, Elektrokosmet was one of the precursor companies to KEK, and its assets were explicitly assigned to KEK in December 2005 by UNMIK and the Kosovo Trust Agency.

#### FALSE CLAIMS REGARDING NEGOTIATIONS

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14. (SBU) The EMS letter further claims that "these steps were provoked by non-selective load shedding of the households supplied from SS Valac beyond any technical justification, and taken in order to avoid a possible humanitarian disaster and to ensure the security of supply for [the] winter season." Such claims fail to pass the laugh test, since the Serbian side has ignored six weeks of offers

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by KEK to reconnect Valac (and the north of Kosovo) to power generation capacity in Obilic, Central Kosovo that would substantially increase supply to the north. Moreover, Serbian Government ministries and state-owned firms have failed to offer a substantive response to a potential commercial resolution of the dispute (through a subcontracting agreement) that has been on offer for six months.

#### MONTHLY METER READ A TEST CASE

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15. (SBU) EMS's letter escalates the dispute over Valac, but the requirement for KEK to read the meters there could help KEK to reestablish access to, and reassert control of, its asset. KEK employees, with an escort by the Kosovo Police, have read the meters on high voltage lines at Valac on a monthly basis for years. This standard operating practice, which takes five minutes and was most recently done in October, is part of an effort to account for electricity received from and sent to Serbia from Kosovo. Since KFOR and EULEX recently established perimeters around Valac (Ref A), the Kosovo Police sent KEK's most recent request, for the December read, to EULEX for action. By facilitation of KEK's request for access to the station, EULEX and KFOR will establish that their security cordons are not designed to freeze an illegal status quo in place, but will be used to support freedom of movement and KEK's heretofore undisputed claims to its property. COMKFOR has agreed to support such a request; Yves de Kermabon, head of EULEX, has punted, saying he requires guidance from Brussels.

#### COMMENT

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16. (SBU) We deem it highly unlikely that EMS's letter, a serious action by a Serbian state-owned firm, was done without coordination with official Belgrade; this dashes any hopes we harbored that this dispute was simply the work of northern Kosovo hotheads. Likewise, it is clear, in our view, that the commercial negotiations on an electricity services company (ESCO) agreement for the northern part of Kosovo have reached a dead end for now. The monthly meter read by KEK provides an opportunity to reestablish access to Valac, and by extension KEK's ownership of northern electricity assets, and to

demonstrate our resolve to defend KEK's rights (and by extension, Kosovo's sovereignty in the north). We believe that a strong response, supporting KEK's access on the ground, coupled with a tough demarche in Belgrade is the best way to convince the GOS that its current course of action will fail and thus to get them to refocus on a commercial (ESCO) solution. We would recommend that the demarche to Belgrade be delivered at the highest level and that it emphasize 1) that blatant disregard for UNSCR 1244 and moves to partition are illegal and inconsistent with Serbia's ambition for European and Euro-Atlantic integration; and, 2) continuing down this path will be met by a determined response from KFOR, EULEX and the international community. Depending on the result of DAS Jones' discussions in Brussels December 10, such a message could be coordinated with Quint countries for increased effect.

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